

On-Site Systems, Inc.

7638 River Road Pike

Nashville, TN 37209

Office: (615) 356-2880

Fax: (615) 356-7295

April 29, 2003

Mr. Mike Gaines, Chief
Energy and Water Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Docket # 03-00192 – Request for Information

Dear Mr. Gaines:

We have the following responses to your letter of April 23rd requesting information.

1. Are there any utility districts located in or near the proposed service area?
If so, have they been contacted about providing wastewater service to the proposed service area?

There are no utility districts located in the proposed service area. The only utility district nearby is Sevier County Utility District and they provide natural gas only.

2. Provide photocopies of any agreements from developers that have applied for service from your utility.

See attached agreement.

3. Provide estimates of customer growth for the next three years.

Expected Customers:

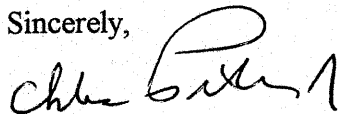
2003 - 25 total

2004 - 110 total

2005 - 150 total

If you have any additional questions, please let us know.

Sincerely,



Charles Pickney, Jr.
President

WASTEWATER SYSTEM MAINTENANCE AND MANAGEMENT CONTRACT

This wastewater system maintenance and management contract, made and entered as of this 12th day of February, 2003, by and between, On-Site Systems, Inc., a Tennessee corporation, having a principle place of business in Nashville, Davidson County, Tennessee, herein referred to as "On-Site" and Black Bear Ridge Resort, LLC, a Tennessee limited liability company, having a principle place of business in Pigeon Forge, Sevier County, Tennessee, herein referred to as "Black Bear Ridge":

WHEREAS, Black Bear Ridge is developing a tract of real property located in Sevier County, Tennessee and is generally referred to herein as the Black Bear Ridge project; and

WHEREAS, Black Bear Ridge requires maintenance and management of a wastewater treatment, collection, and disposal system for the Black Bear Ridge project, such that the wastewater system can become constructed and operational in phases to allow for the orderly development and sale of the property at various intervals as more fully described herein.

WHEREAS, On-Site Systems, Inc. is a utility recognized and regulated by the Tennessee Regulatory Agency and has the capability to manage and maintain the wastewater treatment, collection, and disposal system for the Black Bear Ridge project, the parties hereto have entered into the following agreements:

WITNESSETH

1. Black Bear Ridge is developing a tract of real property in Sevier County, Tennessee, containing approximately 51 acres more or less and such property is generally referred to herein as the Black Bear Ridge development. The plat for the Black Bear Ridge development as recorded in the Register's Office for Sevier County is attached hereto as Exhibit 1.

2. Upon completion by Black Bear Ridge of all of On-Site's requirements as set forth herein, On-Site hereby agrees to own, operate, maintain, and manage the wastewater system for the property identified in Exhibit 1 and Black Bear Ridge agrees for On-Site to have exclusive responsibility for the ownership, operation, maintenance, and management of the wastewater system as installed and as may be expanded from time to time.

3. Black Bear Ridge agrees to provide On-Site with copies of all plans, specifications, drawings, and other documentation accompanying the design, construction, and installation and any expansion of the wastewater system. On-Site shall secure all necessary local, state, and federal permits, licenses, or other written approvals necessary for the operation of a wastewater system on the property identified as Exhibit 1.

4. The owner of record for each planned unit or parcel of property shown on Exhibit 1 for which a service connection to the wastewater system is installed or expanded, but for which no residence, building, or structure, has been constructed or attached to such service connection, shall

pay On-Site a yearly sewer access fee of \$84.00 to defray the cost of testing and reporting for the sewer system to the State of Tennessee, in addition to any tap on fees or construction fees paid to Utility Capacity Corporation, in association with the connection between the wastewater system and service lines to any structures or units on each parcel of property. Such yearly sewer access fees for each unit or lot shown on Exhibit 1 shall be first payable on or before December 15, 2003, for all owners of record of December 1, 2003. Once residences, buildings, individual units, or structures on each parcel of property shown on Exhibit 1 are connected to the wastewater system through a service connection, thereafter the annual sewer access fee referenced herein shall not apply. When Black Bear Ridge, their designated developer or authorized realtor, sells a lot or a planned unit, it expressly agrees to include and disclose in the sales contract with the purchaser, the requirement to pay the annual access fee to On-Site for any units, lots, or undeveloped lots.

5. Black Bear Ridge agrees to require as a condition of sale of each unit or lot that any building, residence, or other structure, constructed on the lot to be attached to the wastewater system, shall have a lockable shut off valve installed on the property owners side of the water meter on the water supply line to the unit, building, residence, or other structure. This shut off valve is for the exclusive use of On-Site Systems, Inc. in accordance with its wastewater service agreement with the property or unit owner and is to be used to shut off water supply to the unit, building, or structure, in the event that the monthly sewer fee is not paid.

6. To allow for maintenance and management of the initial wastewater system, Black Bear Ridge, shall provide On-Site an all weather access road, the necessary power lines, and the necessary power drop to the initial wastewater treatment site and any sewer lift stations constructed as a component of the initial wastewater system. Black Bear Ridge shall provide a written, platted, and recorded, five (5) foot sewerage and wastewater easement on each side of the center line of all wastewater structures installed in the development other than those sewers and those wastewater connections which are located along the public right of way.

7. On-Site Systems, Inc. shall approve all plans and drawings accompanying the initial wastewater system and any additions or expansions to the system as installed or the additional capacity associated with the wastewater system. The actual construction and installation of the wastewater system and any expansions to same shall be subject to the final approval and final inspection of On-Site Systems, Inc. On-Site shall require a one (1) year warranty from the contractor installing the wastewater system, such that the contractor shall warrant that, for the first year after the initial wastewater system is accepted by On-Site, the contractor shall immediately repair, or cause to be repaired, all breaks, leaks, or defects of any type in the installation, construction, or materials included in the wastewater system. After the expiration of the one (1) year period, On-Site shall be responsible for the repair of all breaks, leaks, or defects of any type in the installation, construction, or materials used in the wastewater system.

8. Black Bear Ridge agrees that Utility Capacity Corporation shall hold, manage, and access any excess capacity for the undeveloped or unimproved property for future use and expansion of the wastewater system consistent with the development plan identified and attached hereto. Once the wastewater system, or necessary sections thereof, are installed, completed, and functioning, those

elements of the wastewater system shall be turned over or dedicated by the contractor to On-Site Systems, Inc. for ownership, operation, management, and maintenance of the wastewater system operations. Prior to the delivery or the turn over of the ownership, operation, maintenance, and management of the wastewater system to On-Site and the acceptance of same by On-Site, On-Site shall inspect and approve the initial wastewater system as installed and any expansions of such system as it may be expanded from time to time.

9. Black Bear Ridge hereby grants On-Site an exclusive right to operate all of the wastewater collection, treatment, and disposal systems and the land on which said systems are located in the development shown on Exhibit 1 and Black Bear Ridge hereby conveys to On-Site said exclusive right to operate all of said systems on lands therein without the necessity of any further contract, deed, conveyance, covenant, or easement, for a period of 99 years or so long as said system property is used and operated for wastewater collection, treatment, and disposal, whichever shall first occur. On-Site shall have the right to renew at any time said exclusive rights to operate all of the wastewater collection, treatment, and disposal systems, and the land on which said systems are located in the Black Bear Ridge development shown on Exhibit 1. The wastewater system and it related above ground and below ground components, including the areas they occupy, shall be shown on the final plat prepared by the Developer.

10. Upon installation, testing, approval, and acceptance for use by On-Site, all wastewater system improvements up to the property line of any lot shall become and remain the sole property of On-Site without the necessity of a formal conveyance from Black Bear Ridge to On-Site. Black Bear Ridge does hereby warrant that title to the same shall be free and unencumbered except for any encumbrances related to the development of the property.

11. Black Bear Ridge agrees to execute, acknowledge, and deliver to On-Site any and all easements that may be necessary or appropriate as determined by On-Site for the construction, operation, and maintenance of On-Site's wastewater system, or portion thereof.

12. The Black Bear Ridge warrants that, should its development include marketing brochures or other marketing materials, said brochures, materials, or agreements shall include paragraphs regarding and disclosing the development's wastewater system as operated by On-Site.

13. This agreement is valid only so long as Black Bear Ridge remains the developer or owner of the project or the owner of the common areas of the project. This agreement is not assignable to or for the benefit of any other person or entity without On-Site's prior written consent. The Black Bear Ridge commitments and covenants contained in Paragraph 4 shall survive the termination of this agreement as to Black Bear Ridge. Nothing in this agreement shall be pledged, mortgaged, hypothecated, or utilized as collateral for any obligations of Black Bear Ridge to any lenders, creditors, or third parties.

14. This agreement shall be governed and interpreted under the laws of the State of Tennessee without regard to any other choice of law statutes or procedures.

15. Should any part of this agreement be found or held invalid or unenforceable by any court or government agency, regulatory body, or utility regulatory commission, such invalidity or unenforceability shall not affect the remainder of this agreement which shall survive and be construed as if such invalidity or unenforceability part had not been contained therein.

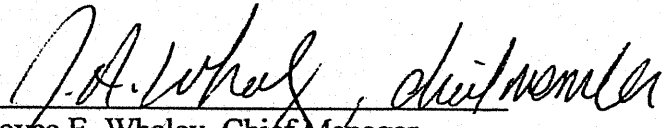
16. This agreement cannot be amended except by a written agreement approved and signed by the authorized agents of both Black Bear Ridge and On-Site.

17. Black Bear Ridge, Utility Capacity Corporation, and On-Site Systems, Inc. and their respective officers and directors of each company are not agents, representatives, or employees of each other company and no party shall have the power to obligate or bind any other party in any manner except as otherwise expressly provided in this agreement. Nothing in this agreement shall operate or be construed to establish a partnership, limited partnership, or joint venture by and between Black Bear Ridge, On-Site Systems, Inc., Utility Capacity Corporation, any contractor selected by Black Bear Ridge or any realtor, agent, or broker, authorized by Black Bear Ridge in connection with the development of the Black Bear Ridge project.

18. Neither party shall be in breach of this agreement by reason of its delay in performance or for failure to perform any of its obligations herein if such delay or failure is caused in whole or in part by strikes or other labor disputes, acts of God or the public enemy, riots, incendiaries, interference by civil or military authorities, compliance with governmental laws, rules, regulations, delays in transit or delivery, or subsequent events which are beyond its reasonable control or without its fault or negligence.

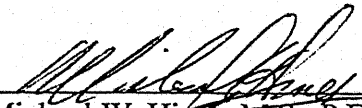
19. To ensure that any subsequent property owners, developers, lenders, or contractors have notice of these covenants, agreements, and the obligations contained therein regarding the operation and installation of the wastewater system, the Developer will include in all instruments conveying, offering, or describing any portion or all of the property and units described herein, specific reference to these covenants and agreements along with the recorded plat(s) referenced herein. The covenant and agreements contained herein are permanent and shall run with the land. This construction and expansion agreement, exclusive of the exhibits, may be recorded in the Register's Office for Sevier County, Tennessee.

BLACK BEAR RIDGE RESORT, LLC



Joyce E. Whaley, Chief Manager
Black Bear Ridge Resort, LLC

ON-SITE SYSTEMS, INC.



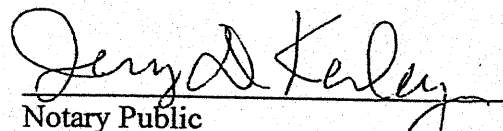
Michael W. Hines, M.S., P.E., Vice-President
On-Site Systems, Inc.

STATE OF TENNESSEE

COUNTY OF SEVIER

Before me personally appeared Joyce E. Whaley, Chief Manager for Black Bear Ridge Resort, LLC with whom I am personally acquainted and who, upon oath, acknowledged herself to be the chief manager of the limited liability company and that she, as such chief manager, executed the foregoing instrument for the purpose therein contained, by signing her name, in her official capacity as the Chief Manager for Black Bear Ridge Resort, LLC to this agreement.

Witness my hand this 12th day of February, 2003.


Notary Public

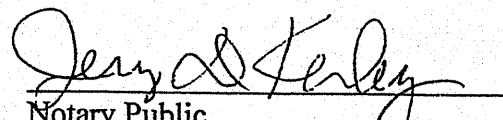
My commission expires 10-21-03

STATE OF TENNESSEE

COUNTY OF KNOX

Before me personally appeared Michael W. Hines, Vice-President of On-Site Systems, Inc., with whom I am personally acquainted and who, upon oath, acknowledged himself to be the President of President of On-Site Systems, Inc., and that he, as such President, executed the foregoing instrument for the purpose therein contained, by signing his name, in his official capacity on behalf of President of On-Site Systems, Inc., to this agreement.

Witness my hand this 12th day of February, 2003.


Notary Public

My commission expires 10-21-03